



# ALL EARS!!

*The Litchfield Fund Weekly Newsletter*

“We just don’t hear it on the street, we have our ears spread across all the fields!!!!”



**Litchfield**

**It’s Blue Ribbon time in Medina Ohio!** As a boy, our **Litchfield Fund** patriarch took the calf he raised to the Medina County Fair to try to win a blue ribbon! My sister still enters her veggies for judging! And county fairs include all those wonderful summer experiences: petting zoos, carnival games, contests, rickety thrill rides, corn-on-the-cob, corn dogs, kettle corn (notice the pattern, after all, it is Ohio), tractor pulls, fireworks & music. Speaking of music, certainly some square dancing and a hoedown! And when we hear that familiar hoedown music, all we can think about is “*Beef – it’s what’s for dinner!*”

**Copland & Commercials:** Aaron Copland was a member of the populist movement in music & art that took place during the 1930s & 1940s spurred by government grants, the depression, & World War II patriotism! To us his most enduring composition, the ballet *Rodeo* featuring the rousing final wedding scene danced to his stirring *Hoedown*, will always bring both a touch of nostalgia & a pang of hunger! Premiering in 1942, choreographed & danced by no less than Agnes de Mille, *Rodeo* was met with a standing ovation! And 50 years later, during the 1992 Summer Olympics, The Beef Council brought *Hoedown* to television, with no less that Robert Mitchum (and later Sam Elliot) delivering the famous tag line “*Beef – It’s what’s for dinner!*” Today, we go out of our way for grass-fed, organic, non-antibiotic, etc. beef (Niman Ranch is a favorite) & non-GMO corn but thinking about County Fairs, Copland, Hoedowns, Beef Commercials, Mitchum, & Elliott – now that’s *Americana* at its finest!

**Earnings News:** It was another week of interesting earnings reports for stocks in our portfolio. Boulder Brands (**BDBD**) had a tumultuous quarter to say the least, with CEO Stephen Hughes stepping down. Analysts estimated a rebound with a 1¢ EPS. **BDBD** reported a 1¢ operating loss per share, 5¢ inclusive of some one-time write downs. Revenue missed at \$117M, lower than the analyst estimated \$123M. The CEO search may be put on hold while **BDBD** investigates selling some of its non-performing brands, or perhaps looks at a buy-out of the entire organization? On a good note, **BDBD** offered full-year guidance at 20¢ to 25¢, above analyst estimates of 18¢. The stock rose accordingly this week, peaking at over \$10 a share, but settling at \$9.25, an 11% increase. **BDBD** has increased more than 30% in the last 2 weeks, but remains more than 30% below last summer’s prices.

Sprouts Farmers Market (**SFM**) had an interesting week. While employees attended a vendor educational seminar at the JW Marriott Desert Ridge, **SFM** announced CEO Doug Sanders would be replaced by CFO Amin Maredia. Mr. Sanders will remain as Executive Chairman, in what seems to be a move to assure proper succession. Meanwhile **SFM** reported earnings of 22¢ a share, in-line with analyst estimates, but lowered full year guidance to 80¢ to 82¢ from 84¢ to

87¢. Competition was cited as the reason for lowering expectations. Comparable same store sales appear to range between 4% and 5%. Analysts expected 6% to 7%, though **SFM's** 2 year store sales growth rate is still strong. The stock fell 15% this week.

The Vitamin Shoppe (**VSI**) commented on a difficult quarter, missing analyst estimates on revenue (\$322M) by \$5M, but posting a 57¢ EPS, beating analyst estimates by 3¢. **VSI** raised full year estimates to \$2.05 to \$2.20 with analyst estimates at \$2.09. Meanwhile, management commentary suggests that **VSI** will be exploring the limitations of retail outlet growth, supplement depended sales, and e-commerce potential. **VSI** will likely look to add nutritional & functional on-the-go foods to bolster falling comparable store sales and counter supplement sales dependency. Unlike **GNC**, **VSI** will not look at franchising. **VSI's** stock rose slightly for the week.

Whitewave Foods (**WWAV**) earnings report seemed to confuse analysts, some claiming a 1¢ miss, some a 1¢ beat! **WWAV** themselves stated a 1¢ beat and raised full-year guidance. However, currency headwinds and other factors grew earnings less than sales, certainly a point of some concern. The stock has been hovering at all-time highs but fell 4% this week. **WWAV** purchased *Wallaby Yogurt* for ~\$125M. *Wallaby* reported \$45M in sales with a 40% annual sales growth as of June 30.

**Portfolio News:** General Mills (**GIS**) is also reaching all-time highs. Con Agra (**CAG**) still seems to be getting interest from Treehouse Foods & Post for its private label operations. **GNC** received a BUY rating from Barclays & authorized up to \$500M for stock repurchase. United Natural Foods (**UNFI**) has a consensus HOLD from 22 analysts covering the stock and a \$64.29 target price. Natural Grocers by Vitamin Cottage (**NGVC**) has a NEUTRAL at Wedbush, a BUY from Zack's, & an OVERWEIGHT from Piper Jaffray. Wholes Food Market (**WFM**) continues to deal with the media fallout of recent events, but financially, the company boasts a strong profit margin, good sales per square foot, & the balance sheet to keep opening stores.

**Market News:** Benchmark crude was near its year low at just under \$44 a barrel by week's end, and for the most part, taking the market down with it. Job growth was up for July, sparking renewed interest in interest rate hikes!

**Seeds, Sprouts, Grow, Harvest!**

**The Litchfield Fund**

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